

EXHIBIT 16

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Our HSE Relationship

CURRENT & FUTURE STATUS



Mizzou K-12
College of Education
University of Missouri

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Historical Background

1999-2015

HSE with Texas Tech (TTUISD)



2015

HSE joins Mizzou (MK12)

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Unknowns of New Model

Curriculum Design Model

- *50-50 to 80-20: HSE team unacceptable*

Teaching Model

- *6-8 teachers to 180 GTA model*

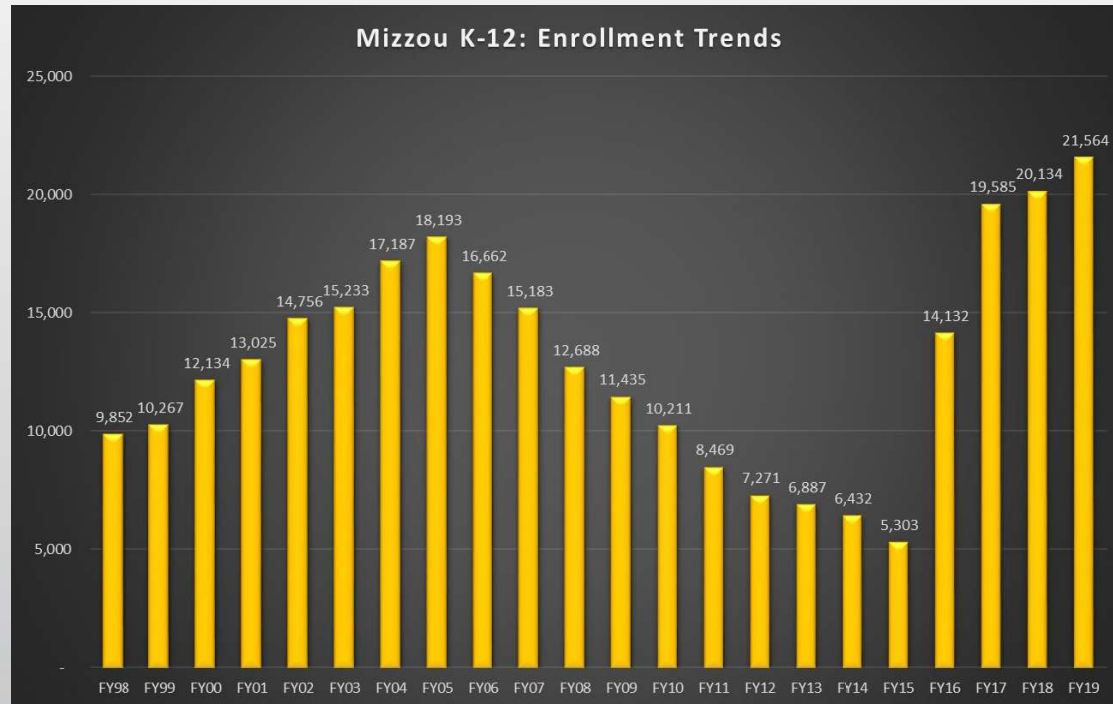
Cost Model

- *2015, 2016, 2017, 2018: HSE model changes*
- *2015 \$/course vs Cost vs Revenue Share*

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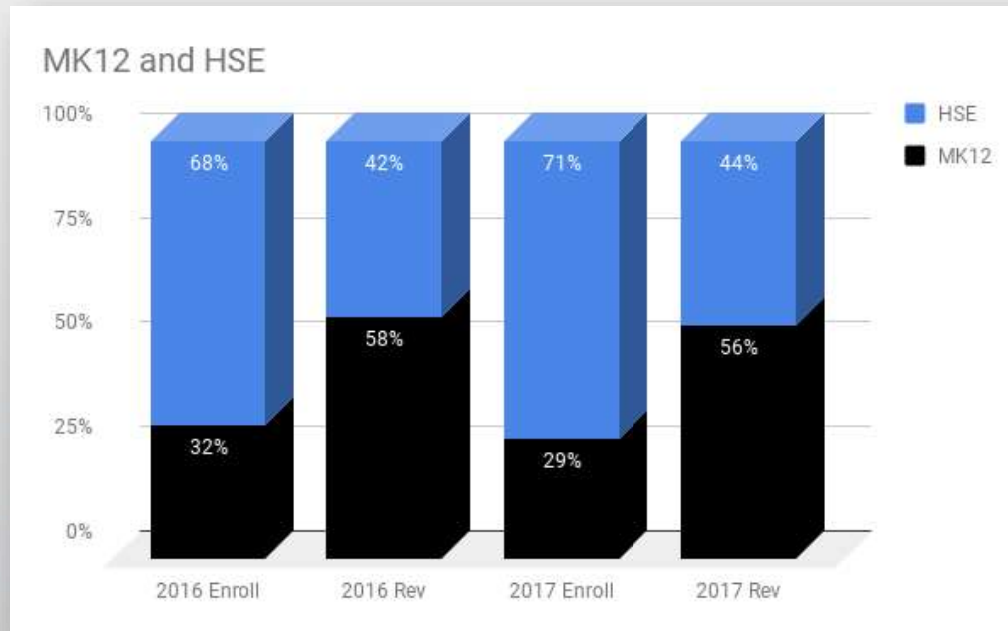
Mizzou K-12 Enrollments



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Mizzou K-12 and HSE – Enroll vs Revenue



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Financial Status

HSE Projected Revenues

2016	\$	4,836,287
2017	\$	6,086,083
2018	\$	7,335,256
2019	\$	<u>9,139,000</u>
Total	\$	27,396,626

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Financial Status

HSE Payments to MK12

2016	\$	1,334,775
2017	\$	1,052,020
2018	\$	2,499,935
<u>2019</u>	<u>\$</u>	<u>2,700,000</u>
Total	\$	7,586,730

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Financial Status

HSE Projected Revenues

2016 \$ 4,836,287

2017 \$ 6,086,083

2018 \$ 7,335,256

2019 \$ 9,139,000

Total \$ 27,396,626

HSE Payments to MK12

2016 \$ 1,334,775

2017 \$ 1,052,020

2018 \$ 2,499,935

2019 \$ 2,700,000

Total \$ 7,586,730

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Financial Models

1. 2015 Financial Model

- *Failed to provide adequate funding for MK12*
- ***\$2.3M due** at 2015 prices for 2016-2018*

2. 2017 Cost Model

- *Covers all aspects of the MK12 operation*
- ***\$4.2M due** in unpaid invoices for 2016-2018*

3. 2018 Revenue Share Model

- *“Revenue” not true revenue*

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Timeline of Activities

- **February 6-9, 2017.** RA & MM to CoMo to discuss budget model, but worked on MSGL.
- **March 15, 2017.** MM in CoMo,
- **October 3-11, 2017.** ZM & TMH to Brazil to re-engage HSE in budget discussions.
December 22, 2017. Rec'd Course Dev cost data; 2018 to be a "Maintenance Year"
- **March 14-20, 2018.** RA & MM flew to CoMo; MK12 presented HSE with DEV / PD / Travel costs.
- **April 23, 2018.** ZM sent RA detailed cost structure data sheets to facilitate the discussion before invoicing. No feedback from RA.
- **May 11, 2018.** MK12 presented HSE with invoice for 2015 & 2016 & 2017. RA agreed to pay \$1.8M immediately and \$700K by December but also said they did not recognize the remainder of the invoice cost.
- **October 1, 2018.** MK12 presented to HSE student enrollment data.
- **December 12, 2018.** ZM & TMH discussed w/ RA & MM differences of opinion on rates / billing / cost of program.
- **January 1, 2019.** After not receiving \$700K, MK12 presented HSE with invoice.
- **January 9, 2019.** HSE informed MK12 sent \$699,945
- **January 16, 2019.** ZM & TMH engaged OGC

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Financial Status

Course Delivery

- 2015 Model: \$ 5,173,827
- Cost Model: \$ 7,264,821

Course Development

- \$1,800,000

Professional Development & Travel

- \$ 500,000

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Financial Status – 2015 vs Cost

COURSE	2015 Rate	Cost Model
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Career Plan	\$ 71.69	\$ 172.24
College Prep	\$ 71.69	\$ 172.99
Debate	\$ 62.13	\$ 166.99
Economics	\$ 238.20	\$ 188.49
English 10A	\$ 234.51	\$ 194.49
English 10B	\$ 68.00	\$ 170.24
English 9A	\$ 233.75	\$ 193.24
English 9B	\$ 67.25	\$ 168.74
Health	\$ 67.25	\$ 167.24
Marketing	\$ 87.12	\$ 178.24
Speech 1	\$ 57.69	\$ 168.24
Speech 2	\$ 58.44	\$ 169.74
US Govt	\$ 87.12	\$ 169.74
US History 1	\$ 86.37	\$ 165.49
US History 2	\$ 86.37	\$ 167.49
WFTCC	\$ 234.51	\$ 174.74

AVERAGE COST PER COURSE

2015 = \$113

Cost = \$174 (2018)

\$200 (2019)

Other Courses

MSGL \$185

Extra Courses \$250

- Art I
- Humanities
- Information Literacy
- Physical Science
- Web Apps

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School Reach Out to MK12

Concerns about HSE:

- Detrimental presence at Summer Camp
- Sale of HSE to competitor company
 - *Cannot work with HSE as competitor*
 - *Cannot go back to TTUISD*
 - *Need High School Program*
 - *Want Mizzou!*

Ready to step in as Brazil CSR

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School Reach Out to MK12

What this means for Mizzou K-12

- *School-to-School relationships*
- *34% tax becomes revenue*
- *New program potential*
 - Scholarships
 - STEM
 - Counselor & Special Needs
 - MORE!

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Legal Action - OGC

- **OGC meeting with HSE on Monday**
 - *Discuss Good Faith Effort of Mizzou*
 - *Notify HSE of requirement to pay within 30 days or in breach of contract*
 - *Notify HSE that if in breach of contract that the University will sue for monies*
 - *Notify HSE that future pay structure to could be at published rates of \$250 course*

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Legal Action - OGC

- **If HSE in Breach of Contract:**
 - *MK12 contract with HSE cancelled*
 - *All educational activities with Brazil must stop*
 - Notice to schools
 - Canvas access closed
 - Genius access closed
 - *Schools must cancel contract with HSE before contracting with MK12*

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Next steps for Mizzou K-12 Team

- Continue working with Schools until HSE in breach
 - *Coordinators / Teachers / Students*
- Review pacing in Course Guides
 - *Make plans for different re-entry times (i.e., 2 wk / 1 mos / etc.)*
- Immediately stop all work with HSE
 - *Roger / Maria / Mariana / Bernie / etc.*
- Remove HSE from all online docs
 - *Google / Box / SmartSheets / etc.*

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Next steps for Mizzou K-12 Team

Do not work in HSE space (Google Docs)

- *Files have been copied*
- *Delete your links to HSE space*

New MK12 Collaborative Environment

- *Begin working in MK12 online collaborative environment*
- *Collaborate freely with MK12 and MU personnel*
- *For non-MU personnel, discuss with your supervisor the purpose and access*

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Next steps for Mizzou K-12 Team

Handling questions from Brazil schools

- OGC will provide a Q&A of what you can say

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Thoughts ...

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